White Paper
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## Thinking about the complexity of system changes for Kansas

This paper does not purport to offer a new approach to systemic Kansas health care reform. That horse has been beaten with many different sticks. Rather, the purpose is to offer some thinking - mostly centered on cost, about why cost is a central issue but why it is ambiguous as well. I do not want to appear to be ignoring the multitude of other issues on our plate, many are equally important…it is focus on cost as one way of thinking systemically.

## Introduction and the Issue of Cost

One of the charges of the Authority is to recommend systemic improvements in the Kansas health care system that can lead to greater access to care and insurance, improvements in the quality of health services, and ways that we might manage cost or what I am going to call "resource investment". Some task!

What is interesting about cost is that it is only understood in a multivariate environment. In other words, cost is best understood in the way that a cost accountant would approach issues—many variables are at play in determining the cost of a widget or an outpatient colonoscopy. We learned in the 1980s with the introduction of relative value scales that we knew what was charged but not our cost. Another cost approach is suggested by Don Berwick who writes "The American health care system is based on the assumption that the supply of resources, not only the incidence of illness, drives utilization."

I would like to concentrate on the cost issue by borrowing from John Wennberg about the nature of the problem of cost efficiency and what it is important to give care and attention to how we invest our resources--dollars.

## Cost and Consequence

Cost in an of itself is not a systemic baseline because cost is only an important variable when linked to consequence or outcome. Health care costs drive a host of other problems and in tern are driven by other factors —with a variety of consequence.As example, it forces states to curtain spending to manage overall budgets. Cost forces employers to consider llimiting benefit packages in health insurance offered to emplyees. Cost forces employees to face out-of-pocket consequences of high deductible insurance.

There are good and bad consequences of cost. Low costs can have significant efficiencies. For example, immunizations can have low comparative costs but with great benefits. Similarly, there are health care services that are costly but with minimal efficiencies. Cosmetic services come to mind as examples where efficiencies are individual, with little collective benefit.

The central argument of this white paper is how we can best understand how our investment of public and private dollars can improve health status. Part of the responsibility of the Authority as I understand it is to suggest ways to better manage our resource investment  improve overall health status.

## The Illustration of John Wennberg

John Wennberg, a Dartmouth physician, discovered in his innovative research "staggering" variation between procedure rates in otherwise demographically similar communities in New England.  His research on care for the chronically ill elderly "indicated serious problems with quality of care and point toward unnecessary spending".  Dr. Wennberg's research went even farther to suggest that "lower utilization of acute care hospitals and physicians could actually lead to better results for patients and prolong the solvency of the Medicare program." It was Wennberg who coined the phrase "watchful waiting" based on a careful examination of BPE (benign prostate enlargement) treatment  that suggested that watchful waiting could lead to preferred outcome compared to aggressive treatment or intervention.

To Wennberg, "three issues drive the differences in the cost and quality of care…variation is the result of an unmanaged supply of resources, limited evidence about what kind of care really contributes to … health and longevity and falsely optimistic assumptions about the benefits of more aggressive treatment of people who are severely ill with medical conditions that must be managed but cannot be cured."

## Research and Policy Recommendations

If the Authority is going to make recommendations to the Legislature about how best to invest out resources, we should know as much as we can about consequences. In other words, we need to invest in research that helps us to be as resource efficient as possible.  We cannot undertake the depth of research ongoing at the federal and other state levels. But we can better take advantage to understand other's s utility to Kansas.

I suggest that the Authority, Kansas Health Institute, and the Foundation for Medical Care combined have the resources that can  help us to better understand  how we might more intelligently invest our health dollars with substantial improvements. We need to better understand the relationship between our collective and individual investment in health services and improvements in better health outcomes.

## Recommendations

1. Part of the proposals we recommend to the Legislature include an emphasis on practice and public health outcomes. We know there are significant inefficiencies between our investments and individual and collective improvements in health status.

2. Evaluation of cost-benefits be monitored by a research group drawn from the Authority, Institute, Foundation and others with appropriate expertise.